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ABSTRACT

As part of the 1994 reauthorization of the Elementary and Secondary Education Act (ESEA), Congress approved a new startup grant program to promote creation and development of charter schools. This report describes how a sample of 41 charter schools used the startup funds they received for the 1996-1997 school year. From fiscal years 1995 through 1997, the Department of Education awarded over $68 million in startup grants to 23 states, the District of Columbia, and Puerto Rico. The amount states received ranged from about $240,000 to over $6 million. In turn, states have provided these funds to charter schools. Over half the schools surveyed received startup funds ranging from $7,000 to $84,000. A majority used funds for curriculum materials and school equipment, facility leases and renovation, and technology. Charter schools not receiving grants were ineligible for grants under their state guidelines, were unsuccessful in competing for a grant, did not know about the program, or chose not to apply. The Department uses a peer-review process and judges applicants on the basis of several criteria, such as the contribution of a state's program toward serving disadvantaged students, degree of flexibility offered schools, and likelihood that a state's program will improve students' educational results. (MLH)

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B-279864

April 30, 1998

The Honorable James Jeffords
Chairman, Committee on Labor and Human Resources
United States Senate

The Honorable Dan Coats
Chairman, Subcommittee on Children and Families
Committee on Labor and Human Resources
United States Senate

The Honorable Bill Goodling
Chairman, Committee on Education and the Workforce
House of Representatives

The Honorable Frank Riggs
Chairman, Subcommittee on Early Childhood, Youth and Families
Committee on Education and the Workforce
House of Representatives

The Honorable Joseph Lieberman
United States Senate

The Honorable Tim Roemer
House of Representatives

Subject: Charter Schools: Use of Start-Up Grant Funds

As part of the 1994 reauthorization of the Elementary and Secondary Education Act (ESEA), the Congress approved a new start-up grant program to promote the creation and development of charter schools. You requested that as a part

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of a larger effort to determine the extent to which charter schools are receiving ESEA title I and Individuals With Disabilities Education Act funds,[1] we gather information from charter schools concerning their use of start-up funds. As agreed with your offices, this correspondence describes how charter schools that we surveyed used the start-up funds that they received for the 1996 to 1997 school year. This correspondence also provides information on the amount of funds awarded to states under this program for fiscal years 1995 through 1997. To obtain this information, we surveyed a sample of 41 charter schools in seven states,[2] reviewed the relevant legislation, and interviewed Department of Education officials. The information we obtained from the charter schools was self-reported and unverified; however, we obtained supporting documentation whenever possible. We did our work between February and April 1998 in accordance with generally accepted government auditing standards.

In summary, from fiscal year 1995 through fiscal year 1997, the Department awarded charter school start-up grants to 23 states, the District of Columbia, and Puerto Rico. For this period, the amount of funds states received ranged from about $240,000 to over $6 million. In turn, states have provided these funds to charter schools. More than half of the charter schools in our survey received start-up funds, ranging from $7,000 to $84,000. A majority of these schools used the funds for curriculum materials and school equipment, facilities leases and renovation, and technology. Charter schools that did not receive start-up grants were (1) ineligible for grants under their state guidelines, (2) unsuccessful in competing for a grant, (3) did not know about the program, or (4) chose not to apply.

BACKGROUND

Charter schools are public schools that operate under charters–or contracts–that specify the terms by which they may operate. Charter schools are established under state law, charge no tuition, and are nonsectarian. Under the start-up grant program, the Department of Education awards grants to states that have laws that allow for the establishment of charter schools. State educational agencies must apply to the Department to receive funds. If a state

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[1]Charter Schools: Federal Funding Available but Barriers Exist (GAO/HEHS-98-84, Apr. 30, 1998).

[2]These states–Arizona, California, Colorado, Massachusetts, Michigan, Minnesota, and Texas–collectively accounted for 91 percent of charter schools operating in the 1996 to 1997 school year.

does not apply or is denied for a grant, individual charter schools may apply to the Department for funding. In evaluating grant applications, the Department must use a peer review process and judge applicants on the basis of several criteria, including (1) the contribution that a state's program will make towards helping educationally disadvantaged and other students achieve state content and student performance standards, (2) the degree of flexibility that a state will offer charter schools, and (3) the likelihood that a state's program will improve students' educational results.

States that receive grants, in turn, award subgrants to charter schools. States may use up to 5 percent of their grant award for administration and may set aside 20 percent for establishing a charter school revolving loan fund. Grants awarded to charter schools either by states or the Department may only be used for (1) the planning and design of a charter school, which may include establishing achievement and assessment standards and providing professional development for teachers and other staff, or (2) the initial implementation of a charter school, which may include informing the community about the school, acquiring equipment and supplies, developing curricula, and paying initial operational costs.

CHARTER SCHOOL START-UP AWARDS TO STATES

From fiscal year 1995–the year the program began–through fiscal year 1997, the Department of Education has awarded over $68 million for the start-up grant program. The Department has awarded grants to 23 states, the District of Columbia, and Puerto Rico. For this period, the amount of funds states received ranged from about $240,000 to over $6 million; the average amount received was about $2.8 million. (See table 1.)

Table 1: Charter School Start-Up Awards to States, the District of Columbia, and Puerto Rico, Fiscal Year 1995 Through Fiscal Year 1997

State	Amount
Alaska	$2,163,790
Arizona[a]	5,121,226
California[a]	5,377,372
Colorado[a]	3,752,894
Connecticut	2,286,371
Delaware	881,828
District of Columbia	3,063,095

Florida	5,566,026
Georgia	3,009,380
Hawaii[b]	239,635
Illinois	1,571,450
Kansas	1,750,000
Louisiana	1,155,961
Massachusetts[a]	4,768,593
Michigan[a]	6,077,295
Minnesota[a]	3,433,188
New Jersey	2,706,723
New Mexico[b]	568,642
North Carolina	3,490,276
Oregon	1,566,514
Pennsylvania	1,333,333
Puerto Rico	2,313,500
South Carolina	1,447,900
Texas[a]	2,915,167
Wisconsin	2,181,548
Total	**68,741,707**

[a]One of the seven states included in our survey.

[b]Although these states did not apply for funds under the program, the Department of Education awarded grants to two schools in Hawaii and three schools in New Mexico.

Source: Department of Education.

CHARTER SCHOOLS THAT RECEIVED GRANTS USED FUNDS FOR A VARIETY OF PURPOSES

The seven states in our survey all received fiscal year 1996 program funds; the amounts they received ranged from $500,000 to almost $1.9 million. Of the 41 charter schools we surveyed, slightly more than half (23) received start-up funds, which ranged from $7,000 to $84,000. The average grant amount was about $36,000, and the median was $32,500.

Funds received by individual charter schools within a state varied. These differences reflect states' flexibility in administering their grant programs and in allocating funds. States may determine the amount of funds to award to any one charter school. Consequently, the amount of funds awarded does not necessarily depend on school enrollment or the particular need for which charter schools sought funding. In Texas, for example, all charter schools received an equal amount of fiscal year 1996 grant funds ($26,785), even though enrollment at these schools varied greatly–from 90 students in one school to 780 students in another.

The charter schools in our survey that received start-up grants used these funds most often to help pay for curriculum materials and school equipment, technology, facilities renovation or leasing, school evaluations and student testing, and staff training. Several charter schools used these funds for multiple purposes. (See table 2.)

Table 2: Use of Seven States' 23 Charter Schools' Start-up Grant Funds, Fiscal Year 1996

Purpose (not mutually exclusive)	Number of schools
Curriculum materials and school equipment	11
Technology	11
Facilities leasing and renovation	10
School evaluation and student testing	6
Training	5

Of the schools included in our survey, 11 used start-up funds for curriculum materials and school equipment, which included Montessori textbooks, accounting systems, and playground equipment, as well as curriculum consultants. Two of the schools in our survey purchased fire prevention systems, while another school hired a health and safety consultant. Schools also used the funds for technology purposes, such as purchasing computers or telecommunication equipment. One of the charter schools purchased robotics equipment for the classroom, while another school bought enough computers to create a computer lab. Several charter schools used the funds to pay building leases or renovation expenses. One of the charter schools built an additional classroom in an existing school.

Some schools also used funds to measure their performance as compared with other schools and student achievement. For example, one school in our survey used the funds to measure student achievement based on the state's education standards. Staff training was the least purchased category by the schools in our survey. Five of the schools said they planned to use funds for workshops and professional development courses for teachers and administrators.

SOME CHARTER SCHOOLS DID NOT RECEIVE FUNDS

Of the 41 charter schools in our survey, 18 reported that they did not receive start-up funds during the 1996 to 1997 school year. Operators of these charter schools provided one of four reasons for not receiving funds: (1) the school was ineligible for a grant under state guidelines, (2) the school was unsuccessful in competing for a grant, (3) the school operators did not know about the program, or (4) they chose not to apply for a grant. For example, the Arizona Department of Education does not allow a charter school to receive more than two start-up awards, regardless of the funding source. Because the state has its own start-up award program, some charter schools may never access federal funds. One school in our survey reported it was no longer eligible because it had already reached the two-award limit. Two charter school operators in California told us that they applied for start-up grants, but their applications were scored lower than other schools' and, as a result, they did not receive funds. Finally, a few charter school operators said that they did not apply for start-up funds because they were uninterested or did not know that funds were available. (See table 3.)

Table 3: Reasons Why 18 Charter Schools Did Not Receive Start-Up Grants for Fiscal Year 1996

Reason	Number of Schools
Ineligible for grants	9
Unsuccessful in competing for grants	4
Did not know about the program	3
Did not apply	2

AGENCY COMMENTS

We received technical comments on this correspondence from the Department of Education, and we incorporated them as appropriate.

B-279864

This correspondence was prepared by Harriet Ganson, Assistant Director; Jeff Appel, Senior Evaluator; and Ben Jordan, Evaluator-In-Charge. Please call me on (202) 512-7014 if you or your staff have any questions.

Sincerely yours,

Cornelia M. Blanchette

Cornelia M. Blanchette
Associate Director,
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(104922)

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